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Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SS-15 NSC-05 PM-04 DODE-00
INR-07 CIAE-00 PRS-01 USIA-06 SP-02 L-03 EB-07
TRSE-00 OMB-01 /074 W
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R 221420Z MAY 77
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 8407
INFO AMEMBASSY DAMASCUS
AMEMBASSY LONDON

C O N F I D E N T I A L SECTION 1 OF 2 JIDDA 3690

E.O. 11652: GDS
TAGS: PFOR, SA, SY
SUBJ: SAUDI ECONOMIC ASSISTANCE TO SYRIA

REF: (A) DAMASCUS 2889, (B) BEIRUT 2356

SUMMARY: REF A ASKS IN EFFECT WHY THE SAG IS BEING SO NIGGARDLY IN GIVING ECONOMIC ASSISTANCE TO SYRIA. THERE IS NO ONE EASY ANSWER, BUT THE ONE THAT COMES CLOSEST IS THAT THE SAG DOES NOT CONSIDER THAT IT IS BEING TIGHT-FISTED. THE SAUDIS SEE THE SYRIAN ECONOMY AS BASICALLY SOUND, ESPECIALLY IN COMPARISON WITH SOME OF THE OTHER COUNTRIES THEY ARE HELPING. THEY CERTAINLY DO NOT WISH TO SEE ASAD POLITICALLY UNDERMINED AT HOME. END SUMMARY.

1. REF A REPORTS SYRAIN PUZZLEMENT AT WHY THE SAUDIS ARE NOT BEING MORE FORTHCOMING IN PROVIDING ECONOMIC ASSISTANCE TO THE SARG. THE QUESTION ITSELF AND THE ANSWERS THE SYRIANS GIVE TO IT DEMONSTRATE A SYRIAN MISUNDERSTANDING OF THE SAUDI APPROACH TO ECONOMIC ASSISTANCE. THE SAUDIS HAVE LOOSENED UP SINCE THE DAYS OF FAISAL BUT THEY ARE STILL FISCALLY CONSERVATIVE AND THIS IS REFELCTED IN THEIR AID POLICIES. NOTHING MAKES A SAUDI BRIDLE QUICKER THAN
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REFERENCES TO "EXCESS PETRO DOLLARS". THE SAUDI VIEW IS THAT THEY ARE PUMPING FAR MORE OIL THAN THEY SHOULD FOR THE SAKE OF THE ECONOMY OF THE FREE WORLD. BY DOING SO THEY ARE DEPLETING A RESOURCE WHICH WILL NOT BE AVAILABLE TO FUTURE GENERATIONS. THEY THEREFORE HAVE AN OBLIGATION TO HUSBAND THE MONEY--TEMPORARILY IN EXCESS OF THEIR REQUIREMENTS--WHICH THEIR OIL POLICY PRODUCES. GIVEN THIS

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ATTITUDE, THE SAG HAS A NATURAL PREFERENCE FOR PROJECT ASSIS-
TANCE WHICH IS ECONOMICALLY SOUND AND WHICH WILL EVENTUALLY
GIVE SAUDI ARABIA SOME ECONOMIC RETURN. STARTING WITH
INDUSTRIAL OR AGRICULTURAL PROJECTS WITH HIGH PROSPECTS OF
PROFITABILITY, THERE IS A DESCENDING SCALE OF ACCEPTABILITY
OF VARIOUS FORMS OF AID. CASH GRANTS FOR BALANCE OF PAY-
MENTS PURPOSES COMES AT THE BOTTOM OF THE LIST. THIS IS
PRESUMABLY WHAT THE SYRIANS WOULD MOST LIKE TO HAVE.

2. WE ARE HAMPERED ALSO IN TALKING ABOUT AID TO SYRIA
BECUASE WE ARE NOT SURE JUST HOW MUCH THE SAUDIS ARE IN
FACT GIVING. THEY TEND TO BE SECRETIVE ABOUT THIS. WE
IN ANY CASE HAVE THE IMPRESSION THAT THE SAUDIS THINK THEY
ARE BEING QUITE GENEROUS WITH THE SYRIANS. HOWEVER MUCH
HAS BEEN PROMOSED, WE THINK THAT THE SYRIANS SHOULD KNOW
THAT DELAYS IN DISBURSEMENTS ARE NDEMIC TO THE SAUDI WAY OF
MANAGING THEIR FINANCIAL AFFAIRS.

3. THIS HAVING BEEN SAID, IT MUST BE NOTED THAT THERE IS
A LARGE POLITICAL ELEMENT IN VIRTUALLY ALL SAUDI AID PRO-
GRAMS. IN ORDER TO HAVE THE MAXIMUM POLITICAL LEVERAGE IT
IS SAUDI PRACTICE TO KEEP THEIR AID RECIPIENTS ON A TIGHT
LEASH, DISBURSING FUNDS ACCORDING TO A PREDETERMINED SCHE-
DULE OR WHEN IT IS NEEDED. THUS A PLEDGE OF, FOR INSTANCE,
$200 MILLION IN ASSISTANCE DOES NOT MEAN THAT THE MONEY
WILL BE GIVEN IN A LUMP SUM. THE SAUDIS CERTAINLY SEE THEIR
AID TO SYRIA AS AN INDUCEMENT TO FOLLOW POLICIES CONSISTENT
WITH SAUDI ARABIA'S REGIONAL VIEW. AMONG OHTHER THINGS
THIS MEANS KEEPING THE RUSSIANS FROM DEEP INVOLVEMENT IN
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THE ARRAIRS OF THE ARAB WORLD. AT THE SAME TIME THE SAUDIS
ARE REALISTIC AND WE THINK THEY ADMIRE THE SKILL WITH WHICH
ASAD HAS KEPT THE RUSSIANS AT ARMS LENGTH WHILE EXTRACTING
ECONOMIC AND MILITARY ASSISTANCE. THEY CONCEDE THAT THE
SYRIANS MUST BE MILITARILY STRONG IF THE ARABS ARE TO HAVE
A CREDIBLE MILITARY POSTURE VIS-A-VIS ISRAEL AND THEY DO
NOT SEE AN ALTERNATIVE TO THE RUSSIANS AS PRIMARY ARMS
SUPPLIER. THE EGYPTIAN EXAMPLE CERTAINLY DOES NOT ENCOUR-
AGE THEM IN THIS REGARD.

4. AS FOR ASAD'S ADOPTING INTERNALLY MORE ECONOMICALLY
LIBERAL FREE-MARKET POLICIES, THIS IS PROBABLY A SAUDI
DESIRE BUT NOT A VERY IMPORTANT POLICY OBJECTIVE. WE
DOUBT THAT THE SAUDI'S WOULD DIRECTLY LINK AID TO THIS
OBJECTIVE OTHER THAN IN OFFERING ASSISTANCE TO PROJECTS
WHICH COULD ASSIST THE SYRIANS PRIVATE SECTOR.

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TO SECSTATE WASHDC 8408
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AMEMBASSY LONDON

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5. CONCERNING SYRIAN ACTIONS IN LEBANON, THEY HAVE BEEN GENERALLY CONCURRED IN BY THE SAUDIS AS NECESSARY UNDER THE CIRCUMSTANCES. THE SAUDIS WOULD NOT LIKE TO SEE THE SYRIANS INSTALL THEMSELES PERMANENTLY THERE AND IF THEY THOUGHT THE SYRIANS WERE SERIOUS ABOUT A "GREATER SYRIA" THEY WOULD UNDOUBTEDLY USE THEIR ECONOMIC LEVERAGE TO ALTER SYRIAN POLICIES. WE DO NOT THINK THIS IS THE CASE AT PRESEN. IT IS POSSIBLE THAT THE SAG VIEWS THE FINAN-CIAL BIND RESULTING FROM SYRIAN ACTION IN LEBANON AS A RESTRAINT ON THE SCOPE AND DURATION OF THESE ACTIONS AND IN THIS SENSE IT WOULD HAVE A CERTAIN UTILITY. THIS WOULD BE CONSISTENT WITH THE PREVIOUSLY MENTIONED PRACTICE OF DOLING OUT AID IN SMALL AMOUNTS TO MAINTAIN MAXIMUM POLITICAL LEVERAGE.(EGYPT BEFORE THE JANUARY RIOTS WAS AN EXAMPLE OF THIS.)

6. WE CERTAINLY DO NOT BELIEVE THAT THE SAUDIS HAVE ANY DESIREOF UNDERMINING ASAD ATHOME. HIS BAATHI CLOAK MAY BE ANATHEMA BUT HE DOESN'T WEAR IT WHEN HE COMES CALLING HERE. THE SAUDI LEADERSHIP GETS ALONG WELL WITH HIM AND ADMIRES HIS STRENGTH, RELATIVE STRAIGHTFORWARDNESS AND POLITICAL ACUMEN. WE THINK THEY PROBABLY SEE HIM AS JUST THE RIGHT MAN TO BE GOVERNING SYRIAN AT THIS TIME. IF THE CONFIDENTIAL

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SAUDIS THOUGHT FINANCIAL DIFFICULTIES WERE RESULTING IN A SERIOUS THREAT TO HIS RULE THEY WOULD PROBABLY COME UP

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WITH MORE MONEY WITH LESS STRINGS (THE EXAMPLE OF EGYPT IS AGAIN ILLUSTRATIVE). AS IT IS, WE THINK THE SAUDIS SEE THE SYRIAN ECONOMY AS BASICALLY SOUND AND CAPABLE OF PULLING ITSELF OUT OF ITS CURRENT DIFFICULTIES. IN SUM, WHILE THE SAUDIS MIGHT BE PERSUADED TO DO MORE (AND PR-HAPS ASAD HAD SOME LUCK IN LOOSENING THE PURSE STRINGS IN RIYADH THIS PAST THURSDAY) THEY THINK THEY ARE BEING QUITE GENEROUS AND RESPONSIVE TO REAL SYRIAN NEEDS. PUBLIC SYRIAN CARPING ABOUT SAUDI NIGGARDLINESS WILL NOT INCREASE THEIR GENEROSITY AND HAS BEEN KNOWN TO HAVE THE OPPOSITE EFFECT.
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